

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
DUBUQUE, IOWA
FINANCIAL STATEMENTS
DECEMBER 31, 2005**

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
DUBUQUE, IOWA**

DECEMBER 31, 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dubuque County Hospital
at Sunnycrest Manor
Dubuque, Iowa

We have audited the accompanying balance sheet - cash basis as of December 31, 2005 and the statement of receipts, disbursements and changes in fund balance - cash basis and statement of cash flows of the Dubuque County Hospital at Sunnycrest Manor Board of Trustees for the year then ended. These cash basis financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

~~As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.~~

Also, the Dubuque County Hospital at Sunnycrest Manor Board of Trustees has not adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures for the year ended December 31, 2005. These statements require a new financial reporting format for the Organization's activities under accounting principles generally accepted in the United States of America.

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In our opinion, except for the omission of the new financial statement format as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of Dubuque County Hospital at Sunnycrest Manor Board of Trustees as of December 31, 2005, and its cash receipts, disbursements and changes in fund balance and cash flows for the year then ended, on the basis of accounting described in Note 1.

Also, management has not presented the "Management's Discussion and Analysis" information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of the basic financial statements.

This report is intended solely for the information and use of management, Board of Trustees, and others within the organization and should not be used by anyone other than these specified parties.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa

July 5, 2006

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
DUBUQUE, IOWA**

**BALANCE SHEET - CASH BASIS
DECEMBER 31, 2005**

ASSETS

Cash in bank - checking	\$ 13
Cash in bank - savings	304,751
Certificates of deposit	803,730

Total Assets	\$ 1,108,494
	=====

FUND BALANCE

Fund Balance:	
Unreserved	\$ 1,108,494
	=====

The accompanying notes are an integral part of these financial statements.

**DUBUQUE COUNTY HOSPITAL
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**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Receipts:	
County treasurer - taxes	\$ 659,942
Interest	22,830
Miscellaneous	970
Rental income	10,200

Total Receipts	\$ 693,942

Disbursements:	
Architect/Engineer fees	\$ 65,367
Construction costs	69,951
Repairs and maintenance	28,146
Furniture, fixtures and equipment	29,938
Office	3,496
Insurance	28,503
Training/Seminars	320
Computer services	54,629
Painting services	1,737
Debt service - principal	22,927
Debt service - interest	1,576

Total Disbursements	\$ 306,590

Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 387,352

Fund Balance - Beginning of Year	721,142

Fund Balance - End of Year	\$ 1,108,494
	=====

The accompanying notes are an integral part of these financial statements.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Cash Flows From Operating Activities:	
Excess (deficiency) of receipts over (under) disbursements	\$ 387,352
Adjustments to reconcile excess (deficiency) of receipts over (under) disbursements to net cash provided by operating activities:	
Interest directly reinvested	(3,730)

Net Cash Provided By Operating Activities	\$ 383,622

Cash Flows From Investing Activities:	
Purchases of investments	\$ (800,000)
Proceeds from matured investments	500,316

Net Cash (Used By) Investing Activities	\$ (299,684)

Net Increase (Decrease) in Cash	\$ 83,938
Cash at Beginning of Year	220,826

Cash at End of Year	\$ 304,764
	=====
Cash Paid for Interest	\$ 1,576
	=====
Non-Cash Investing and Financing Activities:	
Interest directly reinvested	\$ 3,730

The accompanying notes are an integral part of these financial statements.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

Note 1 - Summary of Significant Accounting Policies:

The purpose of the Dubuque County Hospital at Sunnycrest Manor Board of Trustees is to provide and maintain the buildings and equipment at Sunnycrest Manor. The Board of Trustees exists as a governmental entity pursuant to Section 347.9 of the Code of Iowa and continues to be responsible for the physical facilities at Sunnycrest Manor. The facilities are leased to the Dubuque County Board of Supervisors who use the property as a county care facility operated under Iowa Code Section 347B.

For financial reporting purposes, Dubuque County Hospital Board of Trustees has included all funds, organizations, agencies, boards, commissions and authorities. The Board of Trustees has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the Board of Trustees' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Board of Trustees to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Board of Trustees.

The Dubuque County Hospital Board of Trustees is a governmental taxing entity located in Dubuque County, Iowa. The Board of Trustees receives property taxes from Dubuque County. The Board of Trustees is not a component of any other entity and no other agency has been included as a component unit in the Board of Trustees' financial statements.

A. Fund Accounting

The Dubuque County Hospital at Sunnycrest Manor Board of Trustees' accounts are organized on a fund basis. The General Fund is the general operating fund of the Organization. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

**DUBUQUE COUNTY HOSPITAL
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Accounting

The Organization's policy is to prepare its financial statements on the cash basis of accounting; consequently, County Treasurer taxes are recorded when received. Such revenue would, under generally accepted accounting principles, be recorded when the taxes were assessed. Also, the accounting for construction costs and other expenses does not recognize the amounts payable at year end. Such costs and expenses would, under generally accepted accounting principles, be recorded at the time the costs and expenses were incurred. In addition, equipment and capital items are classified as disbursements rather than capitalized and depreciated over their useful lives.

C. Cash, Cash Equivalents and Deposits

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Note 2 - Cash and Investments:

The Board of Trustees' deposits in banks and credit unions at December 31, 2005, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Board of Trustees are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

**DUBUQUE COUNTY HOSPITAL
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

Note 2 - Cash and Investments: (Continued)

At December 31, 2005, the Board of Trustees' investments were as follows:

Type	Fair Value	Maturity
-----	-----	-----
Certificate of Deposit	\$ 200,000	5/06/06
Certificate of Deposit	200,000	5/15/06
Certificate of Deposit	203,730	8/10/06
Certificate of Deposit	200,000	10/10/06

Total	<u>\$ 803,730</u>	

Note 3 - Long-Term Debt:

Long-term debt consists of:

	December 31, 2004 Balance	Additions	Payments	December 31, 2005 Balance	Amount Due Within One Year
	-----	-----	-----	-----	-----
Note payable dated March 16, 2004, payable in monthly installments of \$2,042 including interest at 3.75%, due March 16, 2007	\$ 52,782	\$ ---	\$ 22,927	\$ 29,855	\$ 23,789
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>

Long-term debt requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
	-----	-----	-----
2006	\$ 23,789	\$ 714	\$ 24,503
2007	6,066	46	6,112
	-----	-----	-----
	<u>\$ 29,855</u>	<u>\$ 760</u>	<u>\$ 30,615</u>

On July 1, 2005, the Organization obtained an irrevocable letter of credit in the amount of \$300,000. The agreement expired December 31, 2005.

**DUBUQUE COUNTY HOSPITAL
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

Note 4 - Risk Management:

Dubuque County Hospital at Sunnycrest Manor Board of Trustees is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 5 - Budget:

The Dubuque County Hospital at Sunnycrest Manor Board of Trustees adopts an operating budget on a fiscal year basis. These financial statements do not include a comparison to budget as their fiscal year ends on June 30 and these statements are on a calendar year basis.

In accordance with the Code of Iowa, the Board of Trustees adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Note 6 - Leases:

A lease agreement was executed on January 29, 2001, and March 12, 2001. The Dubuque County Hospital at Sunnycrest Manor Board of Trustees leases to Dubuque County the following property:

Lot 3 of the Subdivision of Mineral Lot 306 in the City of Dubuque, Dubuque County, Iowa upon which certain health care facilities and buildings presently exist.

The term of the lease is 10 years in which rent of \$10 is due at the beginning of each year.

The Dubuque County Hospital at Sunnycrest Manor Board of Trustees entered into two agreements to lease tower and building space. One lease is dated April 30, 2000, and expires January 1, 2011. Rent is due in annual installments of \$1,200. The second lease is dated June 11, 2001, and expires on January 31, 2011. Rent is due in annual installments of \$4,500.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

Note 6 - Leases: (Continued)

At December 31, 2005, future lease payments due are as follows:

12/31/06	\$ 5,710
12/31/07	5,710
12/31/08	5,710
12/31/09	5,710
12/31/10 and thereafter	5,710

	\$ 28,550
	=====

Note 7 - Subsequent Events:

On May 30, 2006, the Organization obtained an irrevocable letter of credit in the amount of \$200,000. The agreement expires September 30, 2006.

On May 31, 2006, the Organization entered into several construction contracts to remodel the 3rd Floor North Wing. The contracts total \$1,390,825.

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To the Board of Trustees
Of Dubuque County Hospital at Sunnycrest Manor

In planning and performing our audit of the financial statements of Dubuque County Hospital at Sunnycrest Manor, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Dubuque County Hospital at Sunnycrest Manor's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions and consider items A and B to be material weaknesses.

A. Segregation of Duties - One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual performs substantially all of the significant accounting functions. We realize that with a limited number of employees, segregation of duties is difficult. We recommend that the bank statements continue to be delivered directly to the Treasurer for review. The Board of Trustees should also continue to have the President and Secretary sign all checks. The Dubuque County Hospital at Sunnycrest Manor Board of Trustees should continue to

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review its operating procedures to obtain maximum internal accounting control possible under the circumstances.

B. Cancel Invoices and Supporting Documentation – We noted during our review of invoices that invoices and supporting documentation are not cancelled at the time of payment. Thus, the invoices are susceptible to unintentional duplicate payment or intentional misuse for dishonest purposes. We recommend invoices are marked with a “Paid” stamp or other indication of payment while they are in the custody of the check preparer or signer. The stamp should provide for notation of check number and date and initials of the person who checked the invoice detail and the person who approved it for payment.

C. Voided Checks – We noted two checks had been voided but not defaced or otherwise rendered unusable; thus creating a potential for someone to misappropriate cash. We recommend that all voided checks be properly defaced to prevent improper use.

We also noted the following matter for the attention of management and the board of trustees.

State Filing Requirement – We believe Dubuque County Hospital at Sunnycrest Manor has a statutory obligation to report financial information to the State of Iowa pursuant to Chapter 11 of the Code of Iowa. We are not aware of any filings with the State Auditor’s Office nor have we prepared any information to be filed with the State Auditor’s Office.

This report is intended solely for the information and use of the Dubuque County Hospital at Sunnycrest Manor Board of Trustees, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

O’CONNOR, BROOKS & CO., P.C.

O’Connor, Brooks & Co., P.C.

July 5, 2006